

S 1130 ES

104th CONGRESS

2d Session

S. 1130

AN ACT

To provide for the establishment of uniform accounting systems, standards, and reporting systems in the Federal Government, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the 'Federal Financial Management Improvement Act of 1996'.

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS- The Congress finds the following:

(1) Much effort has been devoted to strengthening Federal internal accounting controls in the past. Although progress has been made in recent years, Federal accounting standards have not been uniformly implemented in financial management systems for agencies.

(2) Federal financial management continues to be seriously deficient, and Federal financial management and fiscal practices have failed to-

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(A) identify costs fully;

(B) reflect the total liabilities of congressional actions; and

(C) accurately report the financial condition of the Federal Government.

(3) Current Federal accounting practices do not accurately report financial results of the Federal Government or the full costs of programs and activities. The continued use of these practices undermines the Government's ability to provide credible and reliable financial data and encourages already widespread Government waste, and will not assist in achieving a balanced budget.

(4) Waste and inefficiency in the Federal Government undermine the confidence of the American people in the Government and reduce the Federal Government's ability to address vital public needs adequately.

(5) To rebuild the accountability and credibility of the Federal Government, and restore public confidence in the Federal Government, agencies must incorporate accounting standards and reporting objectives established for the Federal Government into their financial management systems so that all the assets and liabilities, revenues, and expenditures or expenses, and the full costs of programs and activities of the Federal Government can be consistently

and accurately recorded, monitored, and uniformly reported throughout the Federal Government.

(6) Since its establishment in October 1990, the Federal Accounting Standards Advisory Board (hereinafter referred to as the 'FASAB') has made substantial progress toward developing and recommending a comprehensive set of accounting concepts and standards for the Federal Government. When the accounting concepts and standards developed by FASAB are incorporated into Federal financial management systems, agencies will be able to provide cost and financial information that will assist the Congress and financial managers to evaluate the cost and performance of Federal programs and activities, and will therefore provide important information that has been lacking, but is needed for improved decisionmaking by financial managers and the Congress.

(7) The development of financial management systems with the capacity to support these standards and concepts will, over the long term, improve Federal financial management.

(b) PURPOSES- The purposes of this Act are to--

(1) provide for consistency of accounting by an agency from one fiscal year to the next, and uniform accounting standards throughout the Federal Government;

(2) require Federal financial management systems to support full disclosure of Federal financial data, including the full costs of Federal programs and activities, to the citizens, the Congress, the President, and agency management, so that programs and activities can be considered based on their full costs and merits;

(3) increase the accountability and credibility of Federal financial management;

(4) improve performance, productivity and efficiency of Federal Government financial management;

(5) establish financial management systems to support controlling the cost of Federal Government;

(6) build upon and complement the Chief Financial Officers Act of 1990 (Public Law 101-576; 104 Stat. 2838), the Government Performance and Results Act of 1993 (Public Law 103-62; 107 Stat. 285), and the Government Management Reform Act of 1994 (Public Law 103-356; 108 Stat. 3410); and

(7) increase the capability of agencies to monitor execution of the budget by more readily permitting reports that compare spending of resources to results of activities.

SEC. 3. IMPLEMENTATION OF FEDERAL FINANCIAL MANAGEMENT IMPROVEMENTS.

(a) IN GENERAL- Each agency shall implement and maintain financial management systems that comply with Federal financial management systems requirements, applicable Federal accounting standards, and the United

States Government Standard General Ledger at the transaction level.

(b) **PRIORITY-** Each agency shall give priority in funding and provide sufficient resources to implement this Act.

(c) **AUDIT COMPLIANCE FINDING-**

(1) **IN GENERAL-** Each audit required by section 3521(e) of title 31, United States Code, shall report whether the agency financial management systems comply with the requirements of subsection (a).

(2) **CONTENT OF REPORTS-** When the person performing the audit required by section 3521(e) of title 31, United States Code, reports that the agency financial management systems do not comply with the requirements of subsection (a), the person performing the audit shall include in the report on the audit--

(A) the name and position of any officer or employee responsible for the financial management systems that have been found not to comply with the requirements of subsection (a);

(B) all facts pertaining to the failure to comply with the requirements of subsection (a), including--

(i) the nature and extent of the noncompliance;

(ii) the primary reason or cause of the noncompliance;

(iii) any official responsible for the noncompliance; and

(iv) any relevant comments from any responsible officer or employee; and

(C) a statement with respect to the recommended remedial actions and the timeframes to implement such actions.

(d) **COMPLIANCE DETERMINATION-**

(1) **IN GENERAL-** No later than the date described under paragraph (2), the Director, acting through the Controller of the Office of Federal Financial Management, shall determine whether the financial management systems of an agency comply with the requirements of subsection (a). Such determination shall be based on--

(A) a review of the report on the applicable agency-wide audited financial statement;

(B) the agency comments on such report; and

(C) any other information the Director considers relevant and appropriate.

(2) **DATE OF DETERMINATION-** The determination under paragraph (1) shall be made no later than 90 days after the earlier of--

(A) the date of the receipt of an agency-wide audited financial statement; or

(B) the last day of the fiscal year following the year covered by such statement.

(e) **COMPLIANCE IMPLEMENTATION-**

(1) **IN GENERAL-** If the Director determines that the financial management systems of an agency do not comply with the requirements of subsection (a), the head of the agency, in consultation with the Director, shall establish a remediation plan that shall include the

resources, remedies, and intermediate target dates necessary to bring the agency's financial management systems into compliance.

(2) TIME PERIOD FOR COMPLIANCE- A remediation plan shall bring the agency's financial management systems into compliance no later than 2 years after the date on which the Director makes a determination under paragraph (1), unless the agency, with concurrence of the Director--

(A) determines that the agency's financial management systems are so deficient as to preclude compliance with the requirements of subsection (a) within 2 years;

(B) specifies the most feasible date for bringing the agency's financial management systems into compliance with the requirements of subsection (a); and

(C) designates an official of the agency who shall be responsible for bringing the agency's financial management systems into compliance with the requirements of subsection (a) by the date specified under subparagraph (B).

(3) TRANSFER OF FUNDS FOR CERTAIN IMPROVEMENTS- For an agency that

has established a remediation plan under paragraph (2), the head of the agency, to the extent provided in an appropriation and with the concurrence of the Director, may transfer not to exceed 2 percent of available agency appropriations to be merged with and to be available for the same period of time as the appropriation or fund to which transferred, for priority financial management system improvements. Such authority shall be used only for priority financial management system improvements as identified by the head of the agency, with the concurrence of the Director, and in no case for an item for which Congress has denied funds. The head of the agency shall notify Congress 30 days before such a transfer is made pursuant to such authority.

(4) REPORT IF NONCOMPLIANCE WITHIN TIME PERIOD- If an agency fails to

bring its financial management systems into compliance within the time period specified under paragraph (2), the Director shall submit a report of such failure to the Committees on Governmental Affairs and Appropriations of the Senate and the Committees on Government Reform and Oversight and Appropriations of the House of Representatives. The report shall include--

(A) the name and position of any officer or employee responsible for the financial management systems that have been found not to comply with the requirements of subsection (a);

(B) the facts pertaining to the failure to comply with the requirements of subsection (a), including the nature and extent of the noncompliance, the primary reason or cause for the failure to comply, and any extenuating circumstances;

- (C) a statement of the remedial actions needed; and
- (D) a statement of any administrative action to be taken with respect to any responsible officer or employee.
- (f) **PERSONAL RESPONSIBILITY**- Any financial officer or program manager who knowingly and willfully commits, permits, or authorizes material deviation from the requirements of subsection (a) may be subject to administrative disciplinary action, suspension from duty, or removal from office.

SEC. 4. APPLICATION TO CONGRESS AND THE JUDICIAL BRANCH.

(a) **IN GENERAL**- The Federal financial management requirements of this Act may be adopted by--

- (1) the Senate by resolution as an exercise of the rulemaking power of the Senate;
- (2) the House of Representatives by resolution as an exercise of the rulemaking power of the House of Representatives; or
- (3) the Judicial Conference of the United States by regulation for the judicial branch.

(b) **STUDY AND REPORT**- No later than October 1, 1997--

- (1) the Secretary of the Senate and the Clerk of the House of Representatives shall jointly conduct a study and submit a report to Congress on how the offices and committees of the Senate and the House of Representatives, and all offices and agencies of the legislative branch may achieve compliance with financial management and accounting standards in a manner comparable to the requirements of this Act; and
- (2) the Chief Justice of the United States shall conduct a study and submit a report to Congress on how the judiciary may achieve compliance with financial management and accounting standards in a manner comparable to the requirements of this Act.

SEC. 5. REPORTING REQUIREMENTS.

(a) **REPORTS BY DIRECTOR**- No later than March 31 of each year, the Director shall submit a report to the Congress regarding implementation of this Act. The Director may include the report in the financial management status report and the 5-year financial management plan submitted under section 3512(a)(1) of title 31, United States Code.

(b) **REPORTS BY THE COMPTROLLER GENERAL**- No later than October 1, 1997, and

October 1, of each year thereafter, the Comptroller General of the United States shall report to the appropriate committees of the Congress concerning--

- (1) compliance with the requirements of section 3(a) of this Act, including whether the financial statements of the Federal Government have been prepared in accordance with applicable accounting standards; and
- (2) the adequacy of uniform accounting standards for the Federal

Government.

SEC. 6. CONFORMING AMENDMENTS.

(a) AUDITS BY AGENCIES- Section 3521(f)(1) of title 31, United States Code, is amended in the first sentence by inserting `and the Controller of the Office of Federal Financial Management' before the period.

(b) FINANCIAL MANAGEMENT STATUS REPORT- Section 3512(a)(2) of title 31, United States Code, is amended by--

- (1) in subparagraph (D) by striking `and' after the semicolon;
- (2) by redesignating subparagraph (E) as subparagraph (F); and
- (3) by inserting after subparagraph (D) the following:
 `(E) a listing of agencies whose financial management systems do not comply substantially with the requirements of the Federal Financial Management Improvement Act of 1996, the period of time that such agencies have not been in compliance, and a summary statement of the efforts underway to remedy the noncompliance; and'.

SEC. 7. DEFINITIONS.

For purposes of this Act:

- (1) AGENCY- The term `agency' means a department or agency of the United States Government as defined in section 901(b) of title 31, United States Code.
- (2) DIRECTOR- The term `Director' means the Director of the Office of Management and Budget.
- (3) FEDERAL ACCOUNTING STANDARDS- The term `Federal accounting standards' means applicable accounting principles, standards, and requirements consistent with section 902(a)(3)(A) of title 31, United States Code, and includes concept statements with respect to the objectives of Federal financial reporting.
- (4) FINANCIAL MANAGEMENT SYSTEMS- The term `financial management systems' includes the financial systems and the financial portions of mixed systems necessary to support financial management, including automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions.
- (5) FINANCIAL SYSTEM- The term `financial system' includes an information system, comprised of one or more applications, that is used for--
 - (A) collecting, processing, maintaining, transmitting, or reporting data about financial events;
 - (B) supporting financial planning or budgeting activities;
 - (C) accumulating and reporting costs information; or
 - (D) supporting the preparation of financial statements.
- (6) MIXED SYSTEM- The term `mixed system' means an information system that supports both financial and nonfinancial functions of the

Federal Government or components thereof.

SEC. 8. EFFECTIVE DATE.

This Act shall take effect on October 1, 1996.

Passed the Senate August 2, 1996.

Attest:

Secretary.

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END